

**R30B25**  
**University of Maryland Eastern Shore**

***Executive Summary***

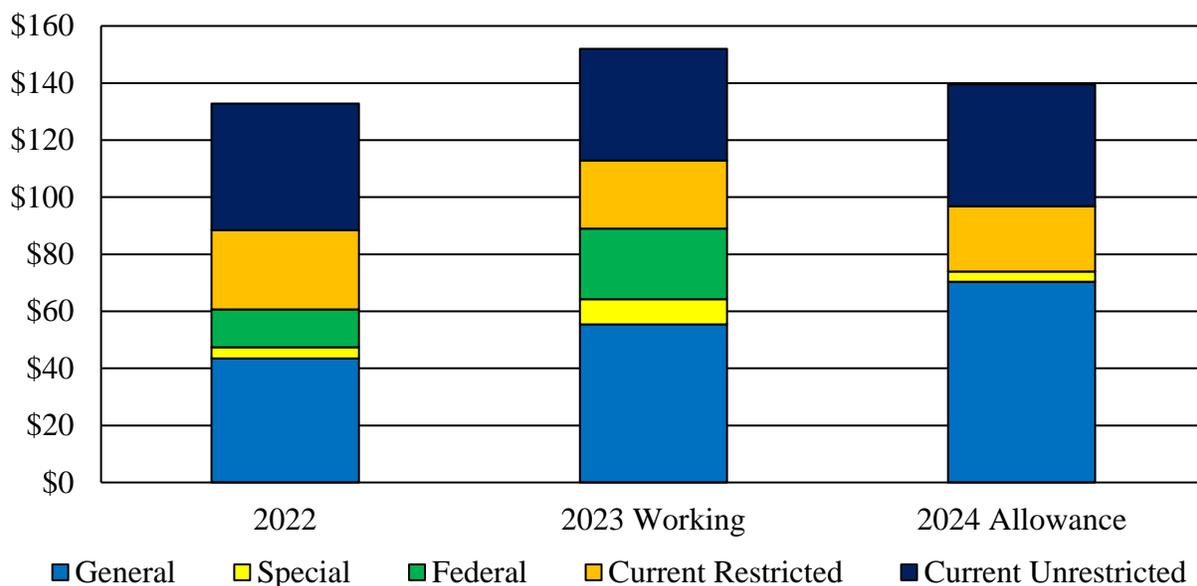
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The University of Maryland Eastern Shore (UMES) is the State’s 1890 land-grant institution and, as such, maintains a legacy of a Historically Black College and University (HBCU), offering equal educational opportunities to all students who qualify for admission.

***Operating Budget Summary***

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**Fiscal 2024 Budget Decreases \$12.5 Million, or 8.2%, to \$139.5 Million  
(\$ in Millions)**



Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency’s share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). The fiscal 2024 allowance accounts for salary enhancements that are budgeted in the Statewide Account within DBM.

- In the fiscal 2024 allowance, general funds increase by \$15.0 million, or 27.1%, and special funds decrease by \$5.3 million, or 60.4%. The fiscal 2023 working appropriation of UMES includes \$24.4 million in direct federal support from the American Rescue Plan Act (ARPA) of 2021, which drives the overall decrease in the adjusted fiscal 2024 allowance. Excluding federal stimulus funds, the fiscal 2024 allowance would increase by \$12.3 million.

- The fiscal 2024 budget includes three proposed deficiency appropriations impacting the budget of UMES in fiscal 2023. One of these is an \$8.0 million proposed deficiency appropriation across higher education institutions, of which the UMES share is \$225,973, to replace general funds with Higher Education Investment Funds (HEIF) due to available balance. In addition, there is a one-time proposed deficiency totaling \$2.6 million for certain University System of Maryland (USM) institutions, of which UMES' share is \$650,000 for assistance in providing the 4.5% cost-of-living adjustment (COLA) for non-State-supported positions due to the timing of the announcement after the rates for these services were set. The third is a statewide deficiency appropriation for the 4.5% COLA provided in November 2022, of which UMES' share is \$1.7 million that is budgeted in the Department of Budget and Management (DBM).
- The fiscal 2024 allowance for UMES includes \$9.0 million for the second year of funding under Chapter 41 of 2021, the HBCU settlement. The fiscal 2023 working appropriation includes \$6.1 million in HBCU settlement funds, of which \$675,481 is in general funds and \$5.4 million is in special funds from the Cigarette Restitution Fund. The adjustment to all general funds in fiscal 2024 is the cause for the decrease in special funds and contributes to the growth in general funds.

## ***Key Observations***

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- ***Enrollment:*** Total undergraduate enrollment increased for the first time since fall 2015 in fall 2022 (123 students, or 6.8%). There were increases across first-time, full-time (FT/FT) student (30.5%) and transfer student (32.4%) populations.
- ***Graduation:*** The six-year graduation rate increases to 36% for the 2016 cohort compared to 32% for the 2015 cohort. This increase was the first since the 2013 cohort, which had a 40% graduation rate.
- ***Retention Trends:*** The second-year retention rate decreased 14 percentage points to 59% for the 2020 cohort compared to the 2019 cohort. The 2020 cohort coincides with the pandemic, so the downward trend after the 73% rate for the 2019 cohort is unsurprising.

## **Operating Budget Recommended Actions**

1. See the University System of Maryland overview for systemwide recommendations.

**R30B25**  
**University of Maryland Eastern Shore**

***Operating Budget Analysis***

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**Program Description**

UMES is the State’s 1890 land-grant institution and, as such, maintains a legacy of a HBCU, offering equal educational opportunities to all students who qualify for admission. UMES emphasizes selected baccalaureate programs in liberal arts and sciences and career fields with particular relevance to its land-grant mandate including agriculture, marine and environmental science, hospitality, and technology.

UMES serves the education and research needs of government agencies, business, and industry while focusing on the economic development needs of the Eastern Shore. UMES aspires to become an educational model of a teaching/research institution and will continue to enhance its interdisciplinary curriculum-sponsored research and outreach to the community and expand its collaborative arrangement within the system and with external agencies and constituencies.

**Carnegie Classification:** Doctoral Universities: High Research Activity

<b>Fall 2022 Undergraduate Enrollment Headcount</b>		<b>Fall 2022 Graduate Enrollment Headcount</b>	
Male	907	Male	192
Female	1,026	Female	395
<b>Total</b>	<b>1,933</b>	<b>Total</b>	<b>587</b>

<b>Fall 2022 New Students Headcount</b>		<b>Campus (Main Campus)</b>	
First-time	604	Acres	1,130
Transfers/Others	129	Buildings	89
Graduate	140	Average Age	20
<b>Total</b>	<b>873</b>	Oldest	1940

<b>Programs</b>		<b>Degrees Awarded (2021-2022)</b>	
Bachelor’s	38	Bachelor’s	301
Master’s	16	Master’s	48
Doctoral	8	Doctoral	96
		<b>Total Degrees</b>	<b>445</b>

**Proposed Fiscal 2024 In-state Tuition and Fees\***

Undergraduate Tuition	\$5,637
Mandatory Fees	\$3,262

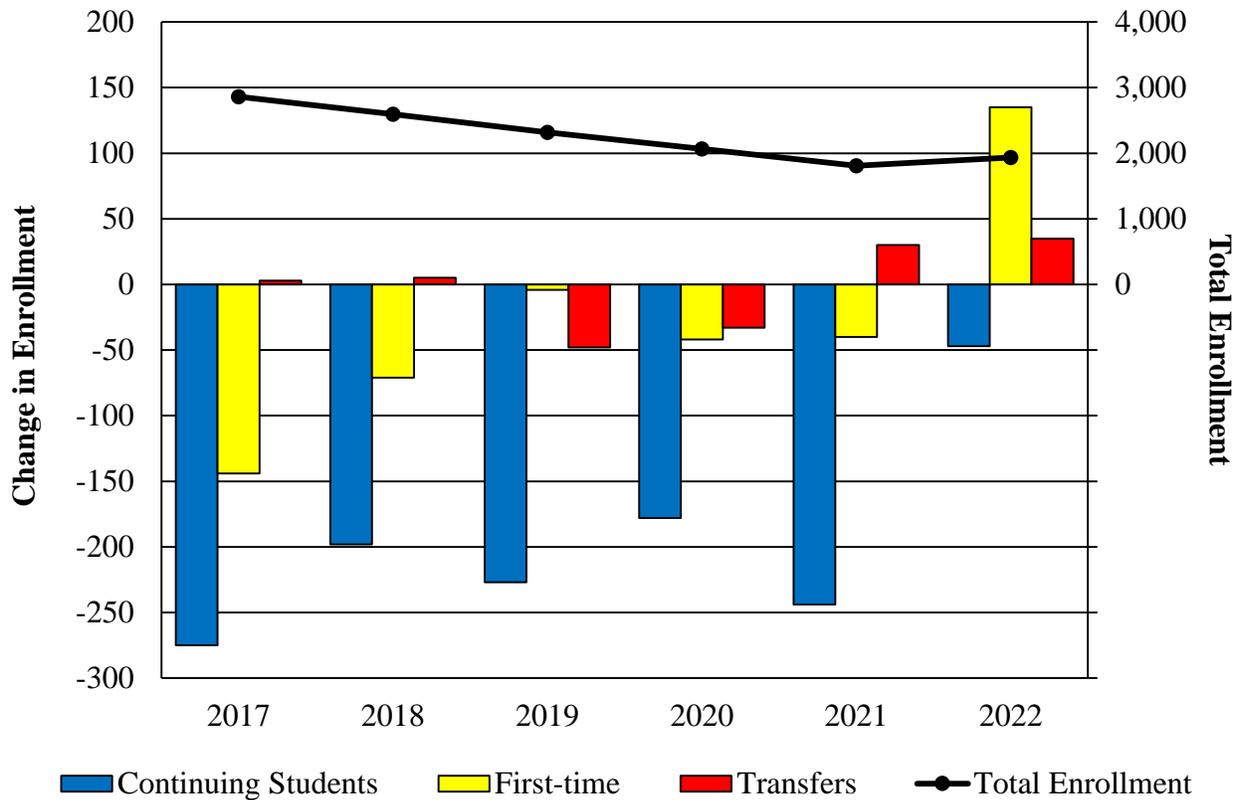
\*Contingent on Board of Regents approval.

# Performance Analysis: Managing for Results

## 1. Undergraduate Fall Enrollment

As shown in **Exhibit 1**, undergraduate enrollment for fall 2022 increased by 6.8%, or 123 students, which is the first increase in undergraduate enrollment since fall 2015. Transfer students increased by 32.4%, and first-time students increased by 30.5%. Those two student populations have steadily declined since fall 2016, and these increases were the first since fall 2015. The only category that decreased was continuing students, which fell by 3.7%. The decrease in continuing students is not unexpected due to the decline in first-time students in the preceding year.

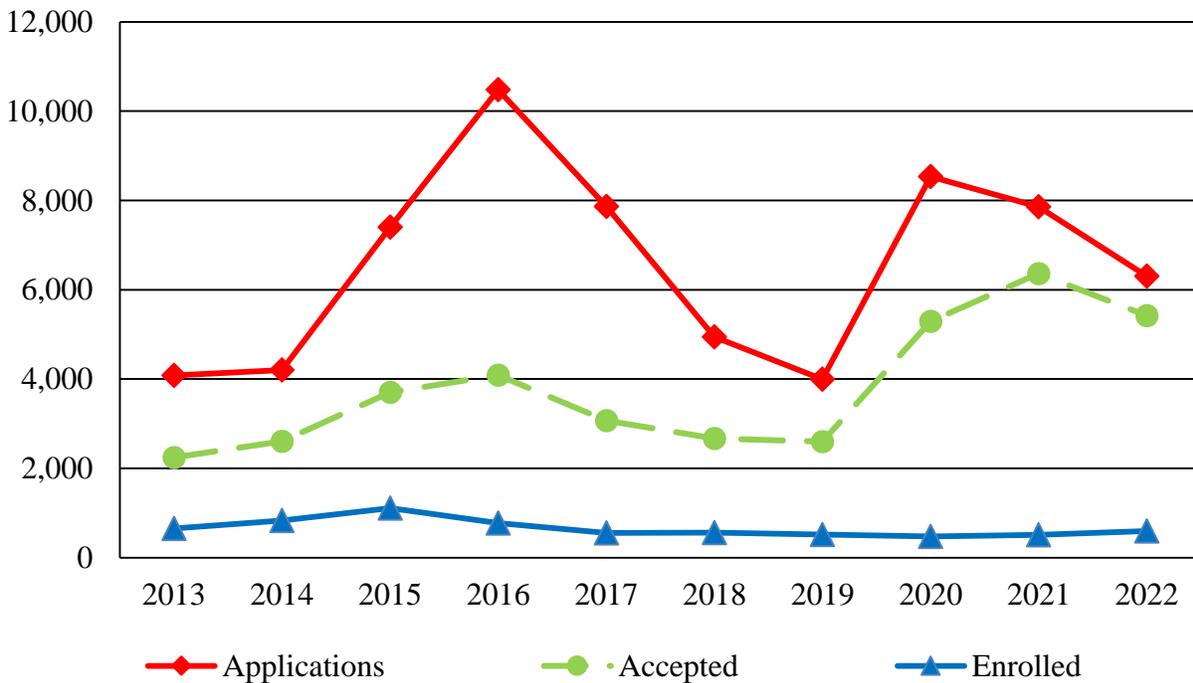
**Exhibit 1**  
**Change in Undergraduate Enrollment by Category and Total Headcount**  
**Fall 2017-2022**



Source: University System of Maryland

Over time, UMES has initiated various programs and initiatives to try and stabilize enrollment, including to expand its brand by joining the Common Application and Black Common Application networks to enhance the use of information technology and counselor and student engagement. As shown in **Exhibit 2**, these efforts seemed to be successful in attracting first-time student applications, with the number of applications more than doubling in fall 2020 from fall 2019. However, applications declined for the following two falls, an 8.0% decrease in fall 2021 and a 19.8% decrease in fall 2022. Acceptance rates for UMES have increased in fall 2021 and 2022, 81% and 86%, respectively. In comparison, the fall 2020 acceptance rate was 62%. Despite the decline in applications, the number of these students that enrolled increased by 87, or 17.1%, due to a 3 percentage point increase in the yield rate (the percentage of accepted students who enrolled) to 11% in fall 2022 compared to fall 2021.

**Exhibit 2**  
**Undergraduate Applications, Accepted, and Enrolled**  
**Fall 2013-2022**

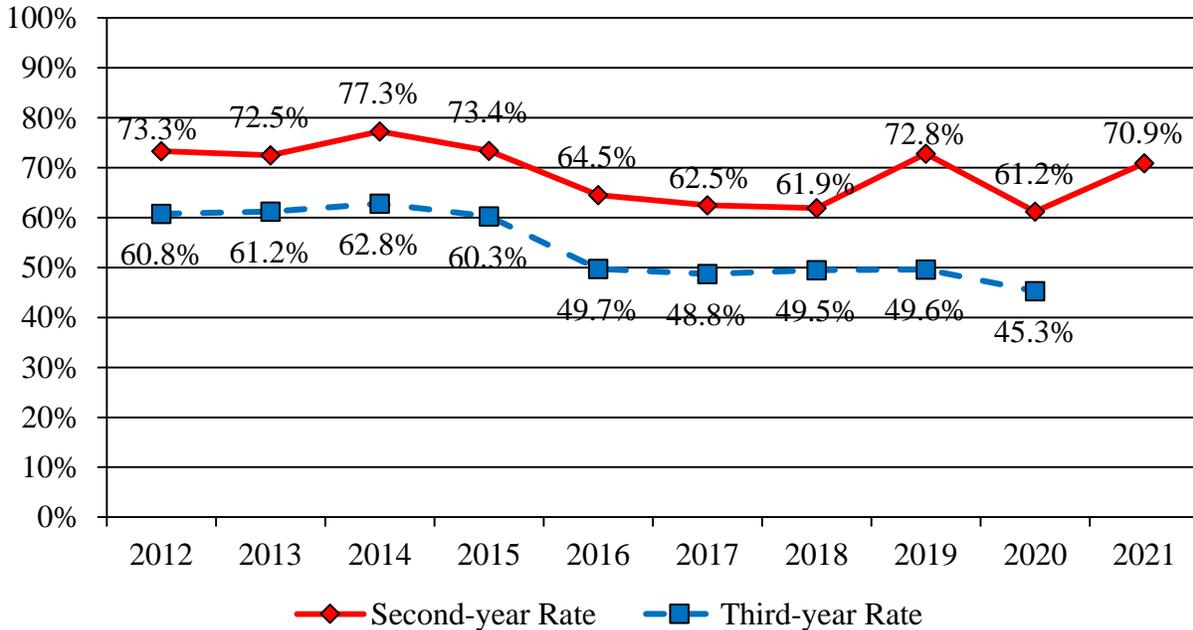


Source: University System of Maryland

## 2. Student Performance

Student persistence, or retention, provides a measure of student progress and an indication of an institution’s performance: the higher the retention rate, the more likely students will persist and graduate. As students are most likely to drop out during their first year, the second-year retention rate provides an indication if retention strategies are working or if further investigation is needed to identify areas of improvement. As shown in **Exhibit 3**, the second- and third-year retention rates fell to their lowest level with the 2015 cohort, reflecting the acceptance of students who were not prepared for college. After increasing in the following year and declining slightly in the following years, the second-year retention rate increased to 72.8% for the 2019 cohort. This level was the highest since the 2013 cohort. There was a rebound in the second-year retention rate with the 2021 cohort, increasing to 70.9% compared to the previous cohort’s 61.2%. However, the retention rate decreased again with the 2020 cohort to near the low level of the 2013 cohort. The third-year retention rate has slightly fluctuated with each cohort since 2015. However, the fall 2020 cohort experienced the largest decline in recent years, decreasing to 49.6% from 45.3% with the 2019 cohort. The decrease in the second- and third-year retention rates of the most recent cohorts is not surprising due to the pandemic occurring during that period.

**Exhibit 3**  
**Second- and Third-year Retention Rates**  
**Fall 2012-2021 Cohorts**

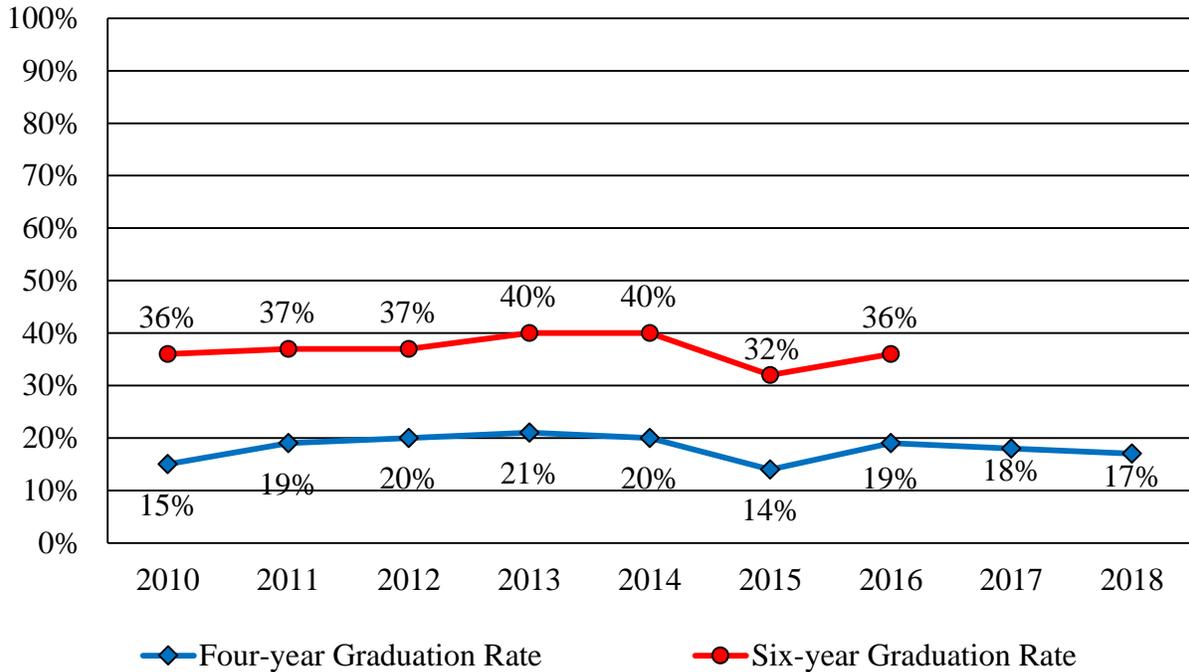


Source: University System of Maryland, University of Maryland Eastern Shore

Graduation rates are, in part, another measure of student persistence and efficiency – as more students graduate, it frees up more room, allowing an institution to enroll more new students. **Exhibit 4** shows the four- and six-year graduation rates for FT/FT students, which include those who transferred and graduated from another Maryland institution. Overall, after falling to its lowest point of 14% with the 2014 cohort, the four-year graduation rate has improved but remained below its peak of 21% with the 2013 cohort. For the 2018 cohort, the four-year graduation rate decreased by 2 percentage points to 17%. The six-year graduation rate declined for the 2015 cohort to 32% but increased by 4 percentage points to 36% in the 2016 cohort. Despite this increase, the six-year graduation rate remained below the rates in nearly all recent years. **The President should discuss UMES’ strategies to improve graduation rates.**

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**Exhibit 4**  
**Graduation Rate of First-time, Full-time Students**  
**2010-2018 Cohorts**

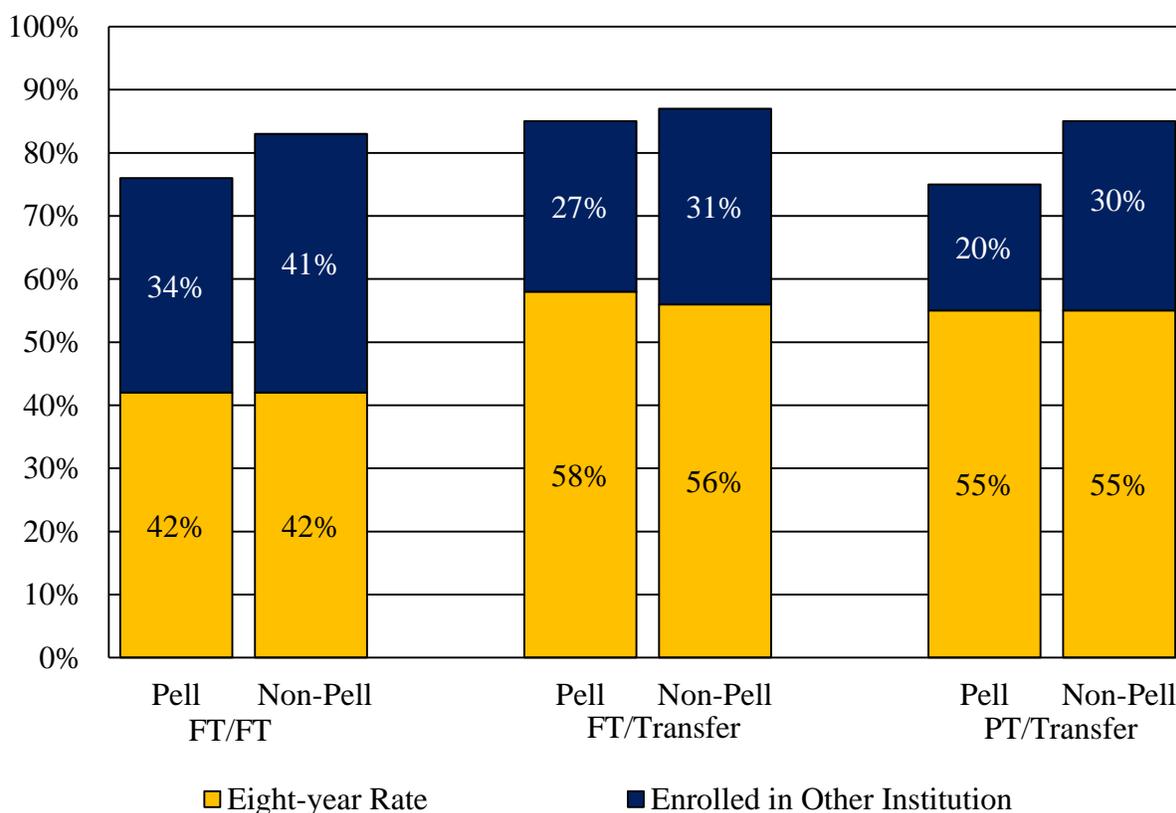


Source: University System of Maryland

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While much attention has been paid to the achievement gap between the races, increasingly, attention has turned to the graduation gap between low-income and other students. As shown in **Exhibit 5**, the eight-year graduation rate of FT/FT students is the same for Pell and non-Pell students at 42%, for students entering in the 2013-2014 academic year. The graduation rate is highest for full-time transfer Pell students at 58%, 2 percentage points higher than non-Pell students. As with FT/FT students, the graduation rate is the same for Pell and non-Pell part-time transfer students at 55%.

**Exhibit 5**  
**Eight-year Graduation Rates for Students**  
**Entering in 2013-2014 Academic Year**



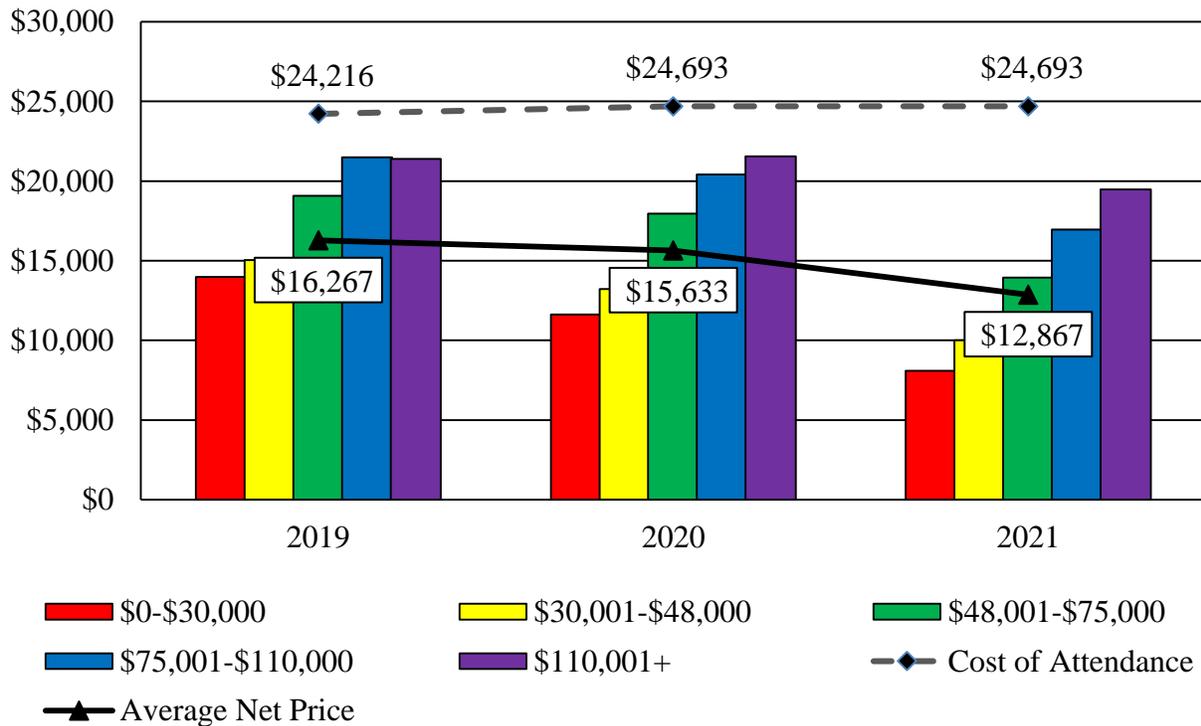
FT: full-time  
 FT/FT: first-time, full-time  
 PT: part-time

Source: National Center for Education Statistics; College Navigator

### 3. Affordability and Accessibility

When considering the affordability of college, students and families tend to focus on the published cost of attendance (COA), or sticker price. COA is the total cost of attending college for one year including tuition and fees, room and board, books, supplies, and other expenses. However, the focus should be on the average net price, which is the cost to the student after accounting for the average amount of federal, State, and institutional aid awarded to all undergraduate UMES students. As shown in **Exhibit 6**, in fiscal 2021, the average net price was \$11,826, or 47.9%, less than the published COA for a FT/FT student. The average cost to a student varies by income level. Those with a lower family income receive more financial aid, thereby lowering the average price for attending college. The average net price for a family with an income between \$0 and \$30,000 decreased by \$5,878, from \$13,973, in fiscal 2019 to \$8,095 in fiscal 2021. Overall, the average net price decreased for all income categories between fiscal 2019 and 2021.

**Exhibit 6**  
**Estimated Cost of Attendance versus Average Net Price**  
**Fiscal 2019-2021**

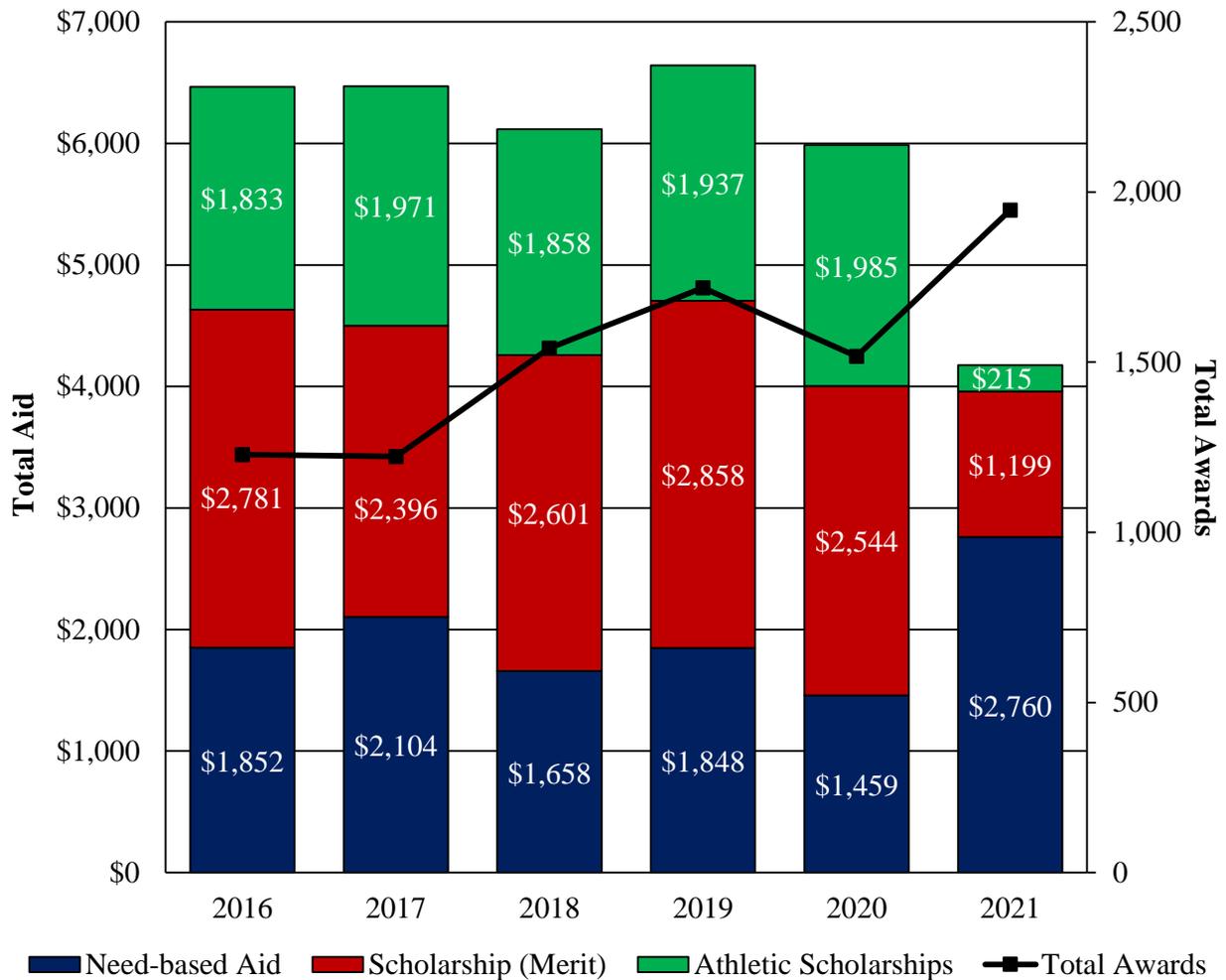


Source: National Center for Education Statistics; College Navigator

### Institutional Aid

In fiscal 2019, spending on institutional aid reached its highest level of \$6.6 million, as shown in **Exhibit 7**. In fiscal 2021, institutional aid decreased by 30.3% compared to fiscal 2020, a decrease of \$1.8 million. Despite the decline in dollars, the total number of awards increased by 28.3% in fiscal 2021 from the previous year and 58.6% since fiscal 2016. Need-based aid accounted for 66.1% of institutional aid in fiscal 2021, a 41.8 percentage point difference from fiscal 2020. The number of need-based awards increased by 93.2% in fiscal 2021.

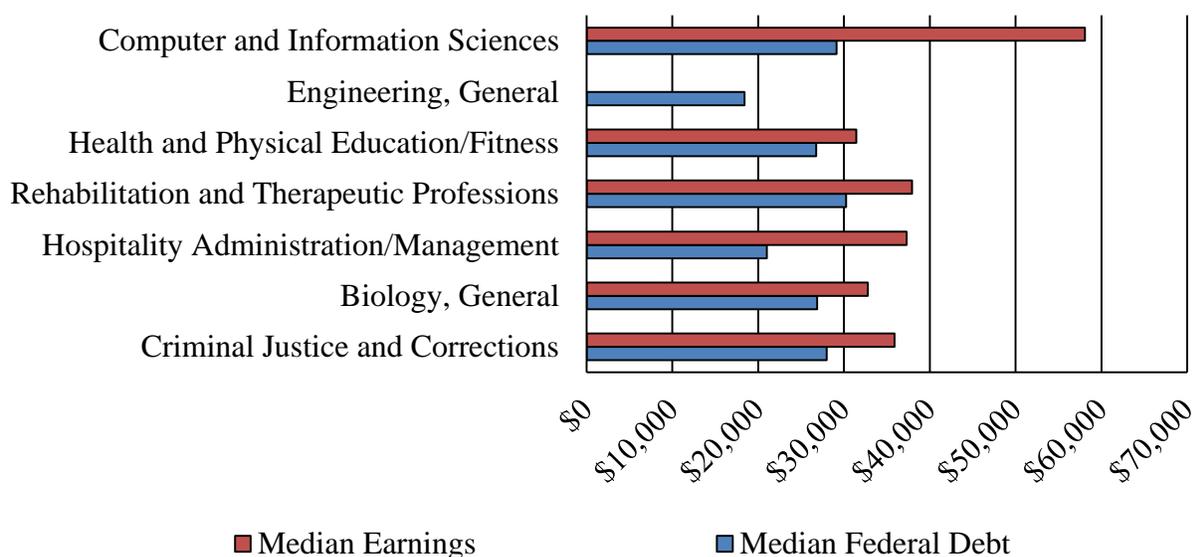
**Exhibit 7**  
**Institutional Aid Expenditures and Total Awards by Category**  
**Fiscal 2016-2021**  
**(\$ in Thousands)**



Source: Maryland Higher Education Commission

In an effort to give students a better picture of outcomes at the program rather than the institutional level, the U.S. Department of Education’s College Scorecard reports the median debt (excluding private and Parent PLUS loans) and median earnings two years after graduation, as reported by the institutions. This information helps students consider the amount of federal debt they may incur and their ability to repay the loan after graduating, since repayments are based on salaries. **Exhibit 8** shows a mixture of UMES’ top fields of study and those with the lowest median debt. Graduates from the engineering program have the lowest federal debt, totaling \$18,400; however, their median earnings were not reported. Computer and information science graduates have the highest median salary, \$58,071, and a median federal debt of \$29,151.

**Exhibit 8**  
**Undergraduate Programs by Median Federal Debt and Median Earnings**



Source: U.S. Department of Education, College Scorecard

## **Fiscal 2023 Working Budget**

### **Actions Affecting Fiscal 2023 Budget**

The fiscal 2023 adjusted working appropriation includes three proposed deficiency appropriations impacting UMES, which include:

- UMES' share of a statewide deficiency for the 4.5% COLA provided in November 2022 (\$1.7 million);
- UMES' share of a proposed deficiency across a number of USM institutions for one-time funding for non-State-supported positions related to the 4.5% COLA (\$650,000); and
- UMES' share of an \$8 million deficiency across higher education institutions to replace general funds with the HEIF due to available fund balance (\$225,973).

### **Education and General Expenditures**

Since tuition and fee revenue in the allowance is based on enrollment projections, increases and decreases in enrollment can have a significant effect on an institution's revenues. Therefore, looking at the changes in expenditures by program areas between fiscal 2022 and 2023, when institutions know their fall enrollment, provides a more accurate picture of funding priorities. **Exhibit 9** shows budget changes for unrestricted funds by program area for fiscal 2022 and 2023. Unrestricted fund spending increases by \$11.5 million, or 12.5%, in fiscal 2023. Instruction and institutional support have the largest increases. In fiscal 2023, instruction increases by \$7.4 million, or 26.8%, and institutional support increases \$1.5 million, or 11.3%. In both fiscal 2022 and 2023, Education and General (E&G) revenues exceed E&G expenditures. Fiscal 2023 has an expected E&G surplus of \$2.0 million, and as a result, UMES expects to transfer \$2.0 million to the fund balance. **The President should discuss the reason for the increased expenditures in instruction and institutional support.**

**Exhibit 9**  
**Budget Changes for Unrestricted Funds by Program**  
**Fiscal 2022-2023**  
**(\$ in Thousands)**

	<u>2022</u> <u>Actual</u>	<u>2023</u> <u>Working</u>	<u>2022-2023</u> <u>\$ Change</u>	<u>2022-2023</u> <u>% Change</u>
<b>Expenditures</b>				
Instruction	\$27,542	\$34,917	\$7,374	26.8%
Research	2,100	2,811	711	33.9%
Public Service	932	1,299	367	39.4%
Academic Support	6,810	7,002	192	2.8%
Student Services	3,149	2,805	-345	-10.9%
Institutional Support	13,500	15,027	1,527	11.3%
Operation and Maintenance of Plant	13,560	13,211	-350	-2.6%
Scholarships and Fellowships	5,943	5,835	-108	-1.8%
4.5% COLA – State-supported		1,665		
4.5% COLA – Non-State-supported		650		
<b>E&amp;G Total</b>	<b>\$73,536</b>	<b>\$85,220</b>	<b>\$11,684</b>	<b>15.9%</b>
Auxiliary Enterprises	\$18,384	\$18,179	-\$205	-1.1%
<b>Total Expenditures</b>	<b>\$91,920</b>	<b>\$103,399</b>	<b>\$11,479</b>	<b>12.5%</b>
<b>Revenues</b>				
Tuition and Fees	\$21,934	\$21,675	-\$259	-1.2%
State Funds <sup>1</sup>	47,440	64,223	16,783	35.4%
Federal Stimulus	103			
Other	4,013	1,365	-2,648	-66.0%
<b>Total E&amp;G Revenues</b>	<b>\$73,490</b>	<b>\$87,264</b>	<b>\$13,774</b>	<b>18.7%</b>
Auxiliary Enterprises	\$18,682	\$18,135	-\$547	-2.9%
Transfer to/from Fund Balance	-252	-2,000	-1,748	693.9%
<b>Available Unrestricted Revenues</b>	<b>\$91,920</b>	<b>\$103,399</b>	<b>\$11,479</b>	<b>12.5%</b>

E&amp;G: education and general

COLA: cost-of-living adjustment

<sup>1</sup>State funds include general funds and Higher Education Investment Funds.

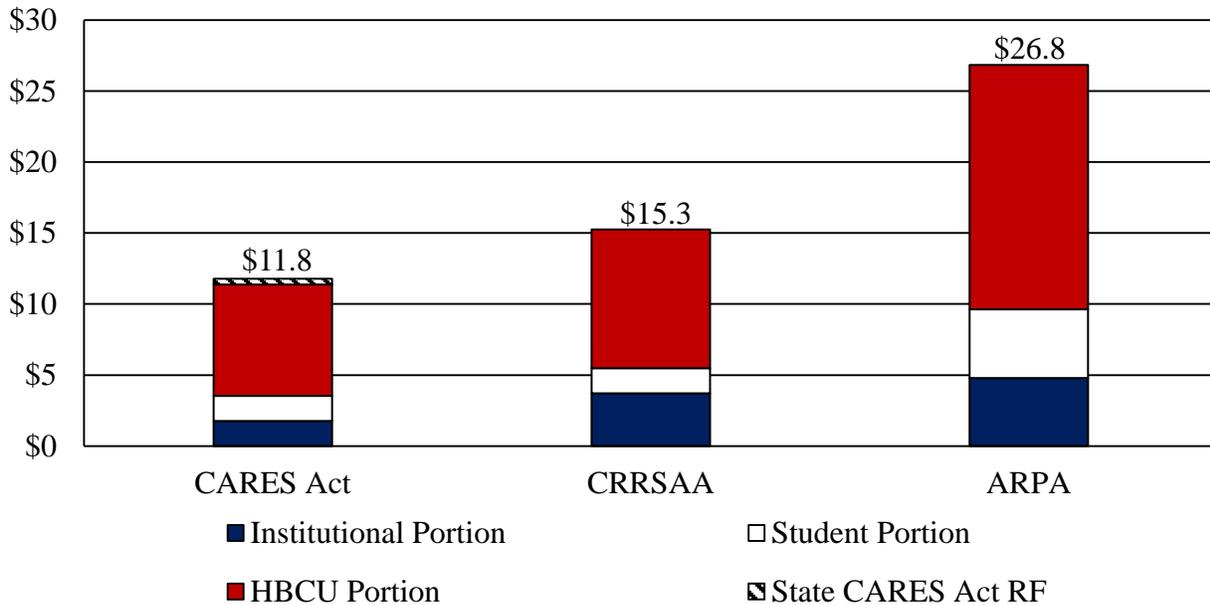
Note: Fiscal 2023 expenditures and State funds adjusted to reflect deficiency appropriations.

Source: Governor's Budget Books, Fiscal 2024; Department of Legislative Services

## Federal Stimulus Funds

As a result of the COVID-19 pandemic, the federal government passed a series of Higher Education Emergency Relief Funds (HEERF) packages to help institutions of higher education with pandemic-related expenses, to offset pandemic related losses, and to provide students with emergency financial assistance payments. These federal packages included the Coronavirus Aid, Relief, and Economic Security Act of 2020; the Coronavirus Response and Relief Supplemental Appropriations Act of 2020; and the ARPA. As shown in **Exhibit 10**, UMES received \$53.9 million dollars in federal stimulus funds; of that total, \$8.4 million was required to go directly to students in the form of emergency financial aid.

**Exhibit 10**  
**Summary of Federal HEERF Packages and Other Temporary Federal Aid**  
**Fiscal 2020-2023**  
**(\$ in Millions)**

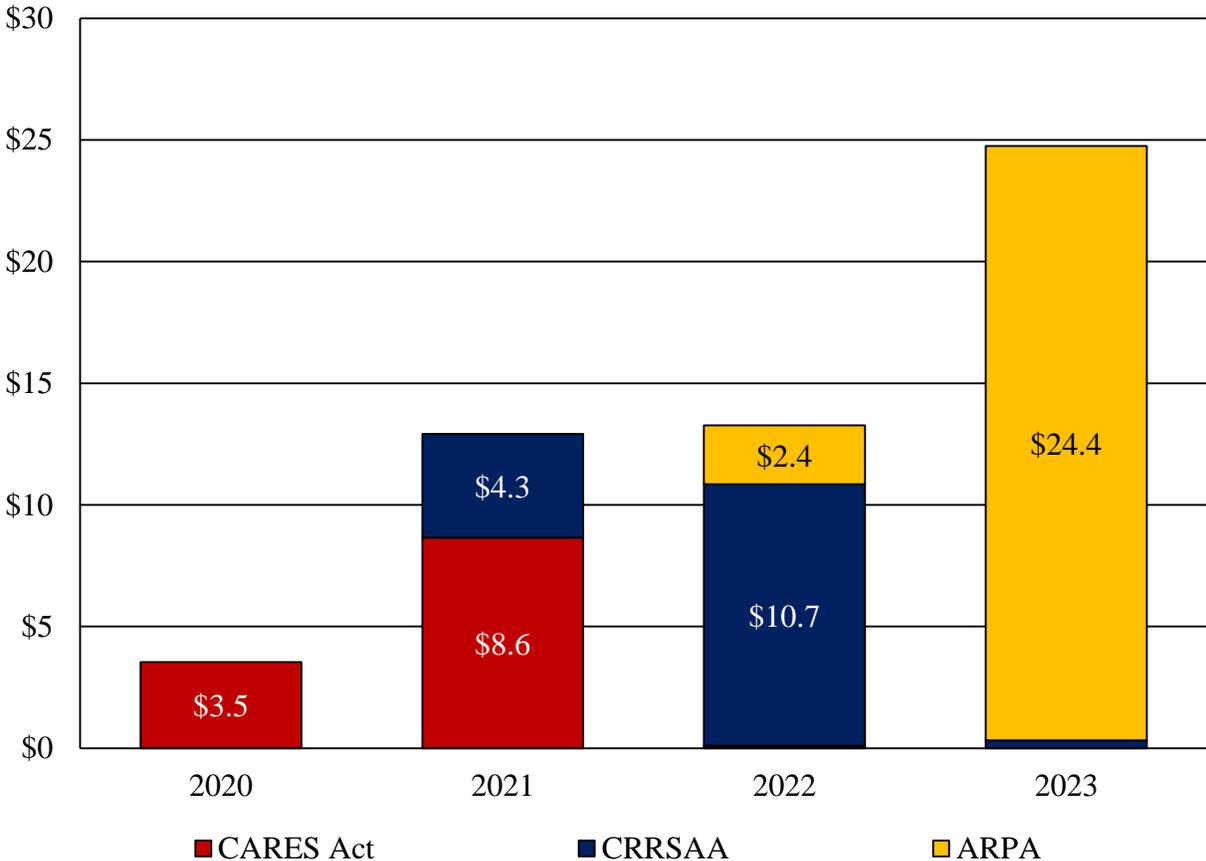


ARPA: American Rescue Plan Act  
 CARES: Coronavirus Aid, Relief, and Economic Security  
 CRRSAA: Coronavirus Response and Relief Supplemental Appropriations Act  
 HBCU: Historically Black Colleges and Universities  
 HEERF: Higher Education Emergency Relief Fund  
 RF: reimbursable funds

Source: U.S. Department of Education; Department of Legislative Services

The distribution of HEERF spending by fiscal year is shown in **Exhibit 11**. The fiscal 2023 working appropriation for UMES includes \$24.4 million in restricted funds from the HEERF III ARPA funds that must be expended by June 30, 2023. **The President should address how the ARPA funds will be expended.**

**Exhibit 11**  
**Distribution of HEERF Spending**  
**Fiscal 2020-2023**  
**(\$ in Millions)**



ARPA: American Rescue Plan Act  
CARES: Coronavirus Aid, Relief, and Economic Security  
CRRSAA: Coronavirus Response and Relief Supplemental Appropriations Act  
HEERF: Higher Education Emergency Relief Fund

Note: CARES Act includes State CARES Act Reimbursable Funds.

Source: U.S. Department of Education; Department of Legislative Services

## Fiscal 2024 Proposed Budget

In fiscal 2024, the adjusted State funding decreases by 8.2%, or \$12.5 million, compared to the adjusted fiscal 2023 working appropriation, as shown in **Exhibit 12**. General funds increase in fiscal 2024 by 27.1%, or \$15.0 million, while HEIF increases 9.8%, or \$0.3 million.

**Exhibit 12**  
**Proposed Budget**  
**University of Maryland Eastern Shore**  
**Fiscal 2022-2024**

	<u>2022</u> <u>Actual</u>	<u>2023</u> <u>Adjusted</u>	<u>2024</u> <u>Adjusted</u>	<u>2023-2024</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$43,532	\$52,618	\$56,106	\$3,488	6.6%
4.5% COLA (fiscal 2023 deficiency)	\$0	1,665	2,498	833	50.0%
Deficiency – non-State-supported Positions		650			
Chapter 41 of 2021 General Funds		675	9,000	8,325	1,232.4%
Deficiency – HEIF Swap		-226			
Statewide Employee Compensation	0	0	2,803		
<b>Total General Funds</b>	<b>\$43,532</b>	<b>\$55,383</b>	<b>\$70,407</b>	<b>\$15,024</b>	<b>27.1%</b>
HEIF	\$3,908	\$3,186	\$3,497	\$311	9.8%
Deficiency – HEIF Swap		226			
Total – HEIF	3,908	3,412	3,497	85	2.5%
Chapter 41 of 2021 Special Funds		5,428		-5,428	-100.0%
<b>Total State Funds</b>	<b>\$47,440</b>	<b>\$64,223</b>	<b>\$73,904</b>	<b>\$9,681</b>	<b>15.1%</b>
Federal Stimulus – Unrestricted	\$103				
Other Unrestricted	44,377	\$39,176	\$42,720	\$3,544	9.0%
<b>Federal Stimulus – Restricted</b>	<b>\$13,165</b>	<b>\$24,756</b>		<b>-\$24,756</b>	<b>-100.0%</b>
Other Restricted	\$27,706	\$23,847	\$22,895	-952	-4.0%
<b>Total</b>	<b>\$132,791</b>	<b>\$152,002</b>	<b>\$139,519</b>	<b>-\$12,483</b>	<b>-8.2%</b>

COLA: cost-of-living-adjustments

HEIF: Higher Education Investment Fund

Note: The fiscal 2023 working appropriation reflects deficiency appropriations including the University of Maryland, Baltimore Campus’s share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). The fiscal 2024 allowance is adjusted to reflect 2% general salary increase and increments that are budgeted within the DBM Statewide Expenses.

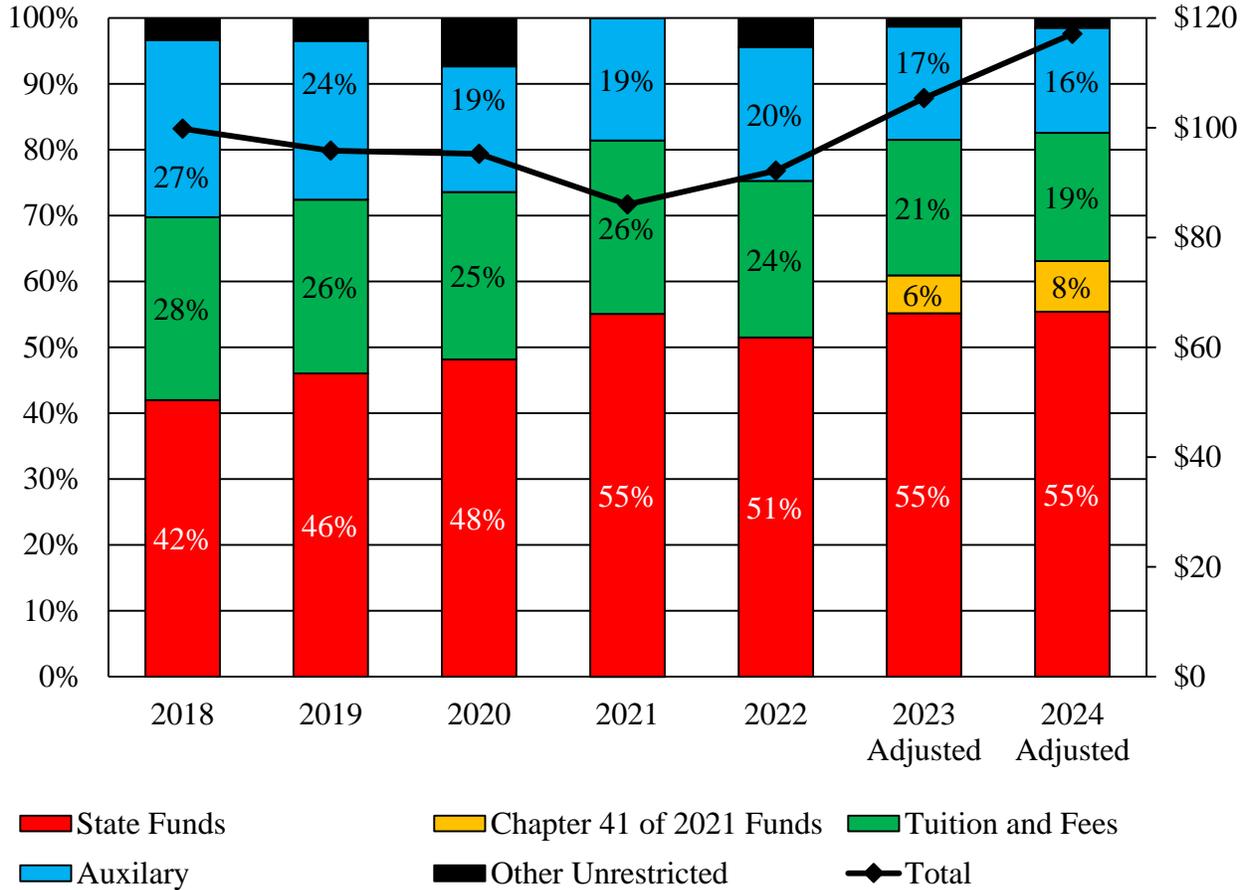
Source: Governor’s Budget Books, Fiscal 2024, Department of Legislative Services

The \$9.7 million increase includes \$2.9 million to meet the \$9.0 million mandated in the Chapter 41. In fiscal 2023, the Chapter 41 funds were a combination of general funds (\$0.7 million) and special funds (\$5.4 million), but in fiscal 2024, it is all general funds. In addition, the funding rises to meet the minimum level. The remaining additional funds are due to the annualization of the 4.5% COLA (\$832,532), and statewide employee compensation budgeted in DBM (\$2.8 million). After accounting for these adjustments, State funding increase of \$3.1 million. **The President should comment on how UMES plans to the use remaining additional \$3.1 million of State funding.**

### **Revenue Sources**

As shown in **Exhibit 13**, between fiscal 2018 and 2021, unrestricted revenues decreased \$13.8 million, or 13.8%, due to continual decline in enrollment and the effects of the pandemic. During this time, State funds comprised an increasingly larger share of revenue, growing from 42% to 55%, while tuition and fee revenue declined as a proportion of unrestricted revenues from 28% to 26%. Fiscal 2022 marked a reverse in the declining revenues, with an increase of \$6.1 million. In fiscal 2024, unrestricted revenues are projected to increase by \$11.7 million, or 11.1%. In the fiscal 2024 allowance, State funds (general funds and the HEIF) and tuition and fee revenue comprise 55% and 19% of UMES' unrestricted revenues, respectively. Auxiliary revenue has decreased from 17% in fiscal 2023 to 16% in fiscal 2024. It should be noted that while the percentage of revenues from tuition and fees and auxiliary has decreased from fiscal 2023 to 2024, the dollar amount for both have increased during that period. Other Unrestricted accounts for 1% of unrestricted revenues.

**Exhibit 13**  
**Unrestricted Revenues by Fund Source**  
**Fiscal 2018-2024 Adjusted**  
**(\$ in Millions)**



Note: Other Unrestricted includes Coronavirus Aid, Relief, and Economic Security Act funding in fiscal 2022.

Source: Governor’s 2016-2020 Budget Books; Department of Legislative Services

***Personnel Data***

	<b><u>FY 22 Actual</u></b>	<b><u>FY 23 Working</u></b>	<b><u>FY 24 Allowance</u></b>	<b><u>FY 23-24 Change</u></b>
Regular Positions	772.87	835.87	835.87	0.00
Contractual FTEs	<u>160.00</u>	<u>123.00</u>	<u>138.00</u>	<u>15.00</u>
<b>Total Personnel</b>	<b>932.87</b>	<b>958.87</b>	<b>973.87</b>	<b>15.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions

	56.84	6.80%
Positions and Percentage Vacant as of 12/31/22	142.70	20.18%

Vacancies Above Turnover 85.86

- The fiscal 2024 allowance does not provide for any new regular positions. However, USM institutions have personnel autonomy and may create or eliminate positions during the year. In fiscal 2023 year to date, UMES added 63.0 full-time equivalent (FTE) State-supported positions. UMES eliminated 37 FTE non-State-supported positions.
- The fiscal 2024 allowance include the addition of 15 contractual positions.

## ***Issues***

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### **1. Audit Findings**

In December 2022, the Office of Legislative Audits (OLA) released a report after completing a fiscal compliance audit of UMES for the period beginning July 17, 2017, through September 15, 2021. The audit had six findings, of which three were repeated from the prior audit. The audit was conducted from December 2, 2013, through July 16, 2017. A full list of the findings may be found in **Appendix 1**.

The three repeat findings were as follows.

#### **Food Service Vendor**

***Finding 1:*** UMES did not adequately monitor its food service vendor to ensure that required facility upgrades, investments, and commissions were received. To address this finding, OLA recommended that UMES:

- verify that its food service vendor provides the capital and operational investments required by the contract terms (repeat); and
- verify reported food service sales and ensure that the proper commissions are remitted (repeat).

#### **Student Accounts Receivable**

***Finding 2:*** UMES had not established sufficient controls over student residency determinations and subsequent changes, and certain noncash credits recorded in student accounts. For this finding, OLA recommended that UMES:

- ensure that independent supervisory reviews of initial student residency status determinations and residency status changes recorded in the student accounts receivable system are conducted and adequately documented (repeat);
- correct the student account records of the aforementioned student to reflect the proper residency status; and
- establish and implement a written policy requiring that an independent verification of noncash credit adjustments to source documents be performed, at least on a test basis (repeat).

## **Cash Receipts**

***Finding 3:*** UMES did not adequately control and account for mail collections and did not ensure that electronic collections were properly deposited into the State’s bank account. To address this finding, OLA recommended that UMES:

- ensure that the initial record of collections received through the mail is independently agreed to validated bank deposit documentation; and
- reconcile its record of electronic collections with the receipt of the funds by the State Treasurer’s Office, at least quarterly, as required (repeat).

**The President of UMES should comment on what actions have been taken to address the findings of the December 2022 audit report. The President should also specifically comment on what actions have been taken with regard to the audit’s repeat findings and repeat recommendations.**

While not a repeat finding, OLA addressed the previous audit’s issue of the ongoing Maryland Hawk Corporation and the Hawk Plaza Student Housing Complex situation. Hawk Plaza is owned by the Maryland Hawk Corporation, a foundation that the USM Board of Regents approved to promote charitable, educational, and scientific purposes. The Board of Regents instructed the entity to be deactivated in October 2014 from any operations unrelated to Hawk Plaza. UMES had plans to take over ownership of the complex, but ongoing litigation delayed that process. Instead, the school entered into a lease agreement where UMES assumed all operating expenses as well as committing to lease a certain number of beds. At the time of the audit, the Maryland Hawk Corporation was attempting to sell the complex by June 30, 2023, or place it for auction. Hawk Plaza was sold to a local developer in December 2022. In addition to the student housing complex issue, OLA determined that UMES should seek reimbursement of federal grant money from the foundation that was disbursed inconsistently with applicable federal regulations. OLA noted that due to the foundation’s financial situation, it was unable to determine if it had the ability to repay any of the funds. **The President should address the status of the Hawk Plaza and the return of funding from the foundation.**

## ***Operating Budget Recommended Actions***

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1. See the University System of Maryland overview for systemwide recommendations.

**Appendix 1  
Audit Findings**

Audit Period for Last Audit:	July 17, 2017 – September 15, 2022
Issue Date:	December 2022
Number of Findings:	6
Number of Repeat Findings:	3
% of Repeat Findings:	50%
Rating: (if applicable)	n/a

**Finding 1:** UMES did not adequately monitor its food service vendor to ensure that required facility upgrades, investments, and commissions were received.

**Finding 2:** UMES had not established sufficient controls over student residency determinations and subsequent changes and certain noncash credits recorded in student accounts.

**Finding 3:** UMES did not adequately control and account for mail collections and did not ensure that electronic collections were properly deposited into the State’s bank account.

**Finding 4:** Redacted cybersecurity-related finding.

**Finding 5:** Redacted cybersecurity- related finding.

**Finding 6:** Redacted cybersecurity-related finding.

\*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 2**  
**Object/Fund Difference Report**  
**University of Maryland Eastern Shore**

<u>Object/Fund</u>	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u> <u>Appropriation</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23 - FY 24</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
<b>Positions</b>					
01 Regular	772.87	835.87	835.87	0.00	0%
02 Contractual	160.00	123.00	138.00	15.00	12.2%
<b>Total Positions</b>	<b>932.87</b>	<b>958.87</b>	<b>973.87</b>	<b>15.00</b>	<b>1.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 76,891,973	\$ 83,983,298	\$ 91,068,108	\$ 7,084,810	8.4%
02 Technical and Special Fees	450,192	207,168	206,391	-777	-0.4%
03 Communication	360,118	134,040	134,040	0	0%
04 Travel	1,489,406	1,906,290	1,906,290	0	0%
06 Fuel and Utilities	6,071,668	4,408,267	4,408,267	0	0%
07 Motor Vehicles	554,673	235,240	235,240	0	0%
08 Contractual Services	15,912,174	19,334,289	13,021,058	-6,313,231	-32.7%
09 Supplies and Materials	4,349,472	17,464,209	7,359,689	-10,104,520	-57.9%
10 Equipment – Replacement	0	189,700	189,700	0	0%
11 Equipment – Additional	2,658,122	2,020,360	2,020,360	0	0%
12 Grants, Subsidies, and Contributions	20,473,211	13,675,318	9,954,701	-3,720,617	-27.2%
13 Fixed Charges	3,421,454	5,754,990	5,837,888	82,898	1.4%
14 Land and Structures	158,642	374,084	374,084	0	0%
<b>Total Objects</b>	<b>\$ 132,791,105</b>	<b>\$ 149,687,253</b>	<b>\$ 136,715,816</b>	<b>-\$ 12,971,437</b>	<b>-8.7%</b>
<b>Funds</b>					
40 Unrestricted Fund	\$ 91,919,806	\$ 101,083,783	\$ 113,820,586	\$ 12,736,803	12.6%
43 Restricted Fund	40,871,299	48,603,470	22,895,230	-25,708,240	-52.9%
<b>Total Funds</b>	<b>\$ 132,791,105</b>	<b>\$ 149,687,253</b>	<b>\$ 136,715,816</b>	<b>-\$ 12,971,437</b>	<b>-8.7%</b>

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include salary adjustments budgeted within the Department of Budget and Management.

**Appendix 3**  
**Fiscal Summary**  
**University of Maryland Eastern Shore**

<u>Program/Unit</u>	<u>FY 22 Actual</u>	<u>FY 23 Wrk Approp</u>	<u>FY 24 Allowance</u>	<u>Change</u>	<u>FY 23 - FY 24 % Change</u>
01 Instruction	\$ 31,394,576	\$ 36,269,780	\$ 44,833,417	\$ 8,563,637	23.6%
02 Research	14,187,387	10,827,219	10,984,894	157,675	1.5%
03 Public Service	3,531,009	4,582,603	4,650,503	67,900	1.5%
04 Academic Support	7,609,055	7,475,325	9,747,194	2,271,869	30.4%
05 Student Services	4,254,606	3,480,095	3,656,800	176,705	5.1%
06 Institutional Support	22,264,570	42,540,218	24,475,850	-18,064,368	-42.5%
07 Operation and Maintenance of Plant	14,448,248	13,210,535	13,705,849	495,314	3.7%
08 Auxiliary Enterprises	18,456,791	18,178,586	18,820,755	642,169	3.5%
17 Scholarships and Fellowships	16,644,863	13,122,892	5,840,554	-7,282,338	-55.5%
<b>Total Expenditures</b>	<b>\$ 132,791,105</b>	<b>\$ 149,687,253</b>	<b>\$ 136,715,816</b>	<b>-\$ 12,971,437</b>	<b>-8.7%</b>
Unrestricted Fund	\$ 91,919,806	\$ 101,083,783	\$ 113,820,586	\$ 12,736,803	12.6%
Restricted Fund	40,871,299	48,603,470	22,895,230	-25,708,240	-52.9%
<b>Total Appropriations</b>	<b>\$ 132,791,105</b>	<b>\$ 149,687,253</b>	<b>\$ 136,715,816</b>	<b>-\$ 12,971,437</b>	<b>-8.7%</b>

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include salary adjustments budgeted within the Department of Budget and Management.